

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

TECHNOLOGY PROPERTIES LIMITED LLC  
and MCM PORTFOLIO LLC,

Plaintiffs,

v.

CANON, INC. et al.,

Defendants.

No. C 14-3640 CW

ORDER DENYING  
MOTION FOR  
JUDGMENT ON THE  
PLEADINGS

(Docket No. 302)

TECHNOLOGY PROPERTIES LIMITED LLC  
and MCM PORTFOLIO LLC,

Plaintiffs,

v.

HEWLETT-PACKARD COMPANY,

Defendant.

No. C 14-3643 CW

(Docket No. 88)

TECHNOLOGY PROPERTIES LIMITED LLC  
and MCM PORTFOLIO LLC,

Plaintiffs,

v.

NEWEGG INC. et al.,

Defendants.

No. C 14-3645 CW

(Docket No. 74)

TECHNOLOGY PROPERTIES LIMITED LLC  
and MCM PORTFOLIO LLC,

Plaintiffs,

v.

SEIKO EPSON CORPORATION, et al.,

Defendants.

No. C 14-3646 CW

(Docket No. 85)

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2 These matters come before the Court on Defendants' Motion for  
3 Judgment on the Pleadings. Docket No. 302.<sup>1</sup> Defendants argue  
4 that their judgment of noninfringement from the International  
5 Trade Commission (ITC) bars Plaintiffs from proceeding with claims  
6 for infringement before this Court. There is no basis for a  
7 district court to be bound by a decision of the ITC; indeed,  
8 Congress explicitly stated that such decisions "cannot have  
9 preclusive effect" in subsequent district court litigation.  
10 Defendants' motion is DENIED.  
11

#### 12 BACKGROUND

13 On March 27, 2012, Plaintiff Technology Properties Limited  
14 LLC (TPL) filed a complaint in the ITC under section 337 of the  
15 Tariff Act of 1930, as amended, 19 U.S.C. § 1337, alleging in part  
16 that the memory card readers used in Defendants' products infringe  
17 the three patents-in-suit. Docket No. 12-1. The ITC instituted  
18 an investigation. Following discovery, a Markman<sup>2</sup> hearing and a  
19 four-day evidentiary hearing, the ITC's Administrative Law Judge  
20 issued an Initial Determination ruling that Defendants' products  
21 did not infringe the asserted patents. TPL petitioned the ITC for  
22 review; after briefing, the ITC affirmed the ALJ's determination  
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25 <sup>1</sup> Docket numbers correspond to the docket for case number  
26 14-3640, unless otherwise noted.

27 <sup>2</sup> Markman v. Westview Instruments, Inc., 52 F.3d 967 (Fed.  
28 Cir. 1995) (aff'd 517 U.S. 370 (1996)).

1 of noninfringement. TPL did not appeal the ITC opinion to the  
2 Federal Circuit.

3 The day after TPL filed its complaint in the ITC, it also  
4 filed complaints against Defendants in the United States District  
5 Court for the Eastern District of Texas. Docket No. 1; Case No.  
6 14-3643, Docket No. 1; Case No. 14-3645, Docket No. 1; Case No.  
7 14-3646, Docket No. 1. TPL's allegations included the  
8 infringement claims from the ITC complaint. Pursuant to 28 U.S.C.  
9 § 1659, the court granted mandatory stays of the cases before it  
10 pending the ITC investigation. Docket No. 13. Following issuance  
11 of the ITC opinion, TPL moved to lift the stays in the Eastern  
12 District of Texas. Docket No. 19. The court lifted the stays and  
13 consolidated the TPL cases for pretrial purposes. Docket No. 21.  
14 TPL then filed amended complaints, adding co-Plaintiff and patent  
15 owner MCM Portfolio LLC. Docket Nos. 97, 102, 87 and 101. The  
16 cases were transferred to this Court on August 8, 2014. Docket  
17 No. 163. On May 1, 2015, Defendants filed the instant motion for  
18 judgment on the pleadings. Docket No. 302.

#### 21 LEGAL STANDARD

22 Rule 12(c) of the Federal Rules of Civil Procedure provides  
23 that "[a]fter the pleadings are closed--but early enough not to  
24 delay trial--a party may move for judgment on the pleadings."  
25 Such a motion, like one brought under Rule 12(b)(6), challenges  
26 "the legal sufficiency of the opposing party's pleadings." Qwest  
27 Communications Corp. v. City of Berkeley, 208 F.R.D. 288, 291  
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1 (N.D. Cal. 2002). Judgment on the pleadings may be granted when  
2 the moving party clearly establishes that no material issue of  
3 fact remains to be resolved and that the moving party is entitled  
4 to judgment as a matter of law. Hal Roach Studios, Inc. v.  
5 Richard Feiner & Co., 896 F.2d 1542, 1550 (9th Cir. 1989).

6 DISCUSSION

7 Defendants' motion is founded on the so-called Kessler  
8 doctrine, which has its origins in a 1907 case from the United  
9 States Supreme Court, Kessler v. Eldred, 206 U.S. 285 (1907). In  
10 that case Eldred held a patent for an electric lamp lighter and  
11 brought a complaint in federal court in Indiana alleging  
12 infringement against Kessler, a manufacturer and retailer of  
13 electric cigar lighters. Id. at 285. The Indiana court found  
14 that Kessler's device did not infringe; this finding was affirmed  
15 on appeal. Id. at 286. Subsequently, Eldred brought an  
16 infringement lawsuit against a user of Kessler's lighters. Id.  
17 Kessler then sued Eldred in federal court in Illinois, seeking an  
18 injunction barring Eldred from prosecuting further infringement  
19 claims against Kessler or Kessler's customers. Id. at 287.  
20 Kessler appealed an adverse circuit court ruling to the United  
21 States Supreme Court, which held that the Indiana court's judgment  
22 "settled finally and everywhere . . . that Kessler had the right  
23 to manufacture, use, and sell the electric cigar lighter. . . ."  
24 Id. at 288. The Supreme Court further explained that Eldred had a  
25 duty "to recognize and yield to that right everywhere and always,"  
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1 and that permitting Eldred to persist in his infringement suits  
2 would allow him to "destroy Kessler's judgment right." Id. at  
3 289. Thus the Kessler doctrine may be distilled as a rule  
4 allowing a party with a judgment of noninfringement to cite that  
5 judgment to bar subsequent claims of infringement.

6 But for a few select applications<sup>3</sup>, the Kessler doctrine lay  
7 dormant until the Federal Circuit revived it last year in Brain  
8 Life, LLC v. Elekta, Inc., 746 F.3d 1045 (Fed. Cir. 2014). In  
9 that case, MIDCO sued Elekta alleging that Elekta's products  
10 infringed MIDCO's patent. Id. at 1048. The case proceeded to  
11 trial and the jury found infringement, but on appeal the Federal  
12 Circuit vacated the jury's finding of infringement and remanded to  
13 the district court with instructions to enter a judgment of  
14 noninfringement as a matter of law. Id. The district court  
15 entered final judgment in favor of Elekta. Id. MIDCO  
16 unsuccessfully appealed, rendering the trial court judgment final.  
17 Id.

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20 Subsequently, Brain Life acquired a license to MIDCO's patent  
21 and filed infringement suits against several parties, including  
22 Elekta. Id. at 1050-51. Brain Life moved to dismiss Elekta's  
23 claim preclusion and issue preclusion defenses and Elekta moved  
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25 <sup>3</sup> See MGA, Inc. v. General Motors Corp., 827 F.2d 729 (Fed.  
26 Cir. 1987) (applying Kessler to affirm summary judgment against  
27 patentee where alleged infringer already had a judgment of  
28 noninfringement from prior state court litigation in which the  
infringement question was subsumed by a state law question about a  
licensing agreement).

1 for summary judgment on its claim preclusion defense. Id. at  
2 1051. The district court granted Elekta's motion for summary  
3 judgment, finding first that there was no material difference  
4 between the products already litigated in the current case and the  
5 products at issue in the MIDCO case, and also concluding that  
6 Elekta's judgment in its favor from the MIDCO litigation barred  
7 Brain Life's claims. Id.

8  
9 On appeal, the Federal Circuit engaged in a lengthy  
10 discussion of claim preclusion (also known as res judicata), issue  
11 preclusion (which encompasses collateral estoppel) and the Kessler  
12 doctrine. Id. at 1053-59. The court held that claim preclusion  
13 barred the assertion of acts of infringement that predated the  
14 MIDCO litigation, but that claim preclusion would not bar suit  
15 alleging infringing acts or products created after the MIDCO case.  
16 Id. at 1054. With regard to issue preclusion, the court held that  
17 only claims that were actually litigated were barred, so that  
18 doctrine's preclusive effect did not apply to products created  
19 after the MIDCO case. Id. at 1055. The court then turned to the  
20 Kessler doctrine, synthesizing the three principles as follows:  
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22 As explained above, however, traditional notions of  
23 claim preclusion do not apply when a patentee accuses  
24 new acts of infringement, i.e., post-final judgment, in  
25 a second suit—even where the products are the same in  
26 both suits. Such claims are barred under general  
27 preclusion principles only to the extent they can be  
28 barred by issue preclusion, with its attendant  
limitations. The Kessler Doctrine fills the gap between  
these preclusion doctrines, however, allowing an  
adjudged non-infringer to avoid repeated harassment for

continuing its business as usual post-final judgment in a patent action where circumstances justify that result.

Id. at 1056. Thus, by operation of the Kessler doctrine, Brain Life was barred from asserting that the accused products from the MIDCO litigation infringed its patent, even for acts of infringement occurring post-judgment. Id. at 1058. Further, Brain Life was barred from alleging infringement for subsequent versions of the previously-accused Elekta products where those subsequent versions are "essentially the same" as the previously-accused products. Id. at 1057-58 (quoting Foster v. Hallco Mfg. Co., 947 F.2d 469, 479-80 (Fed. Cir. 1991)). The court only permitted claims involving a product created after the MIDCO litigation to proceed to trial, holding that none of the preclusion doctrines discussed above applied. Id. at 1058.

In their motion, Defendants argue that, like the defendants in Kessler and Brain Life, they have a prior judgment of noninfringement, albeit from the ITC, and that the Kessler doctrine bars relitigation of TPL's infringement claims. While only a few of this suit's accused products were at issue before the ITC, both parties agree that the newly accused products included in this suit are "essentially the same" as those under consideration before the ITC, so if the Kessler doctrine applies, then Defendants are entitled to judgment on the pleadings. Motion Brief at 6; Response at 4. The obvious impediment to the application of the Kessler doctrine in this case, forming the

1 basis of Plaintiffs' response, is that Defendants' judgment came  
2 from the ITC and not a state or federal court. Defendants offer  
3 several arguments in support of treating an ITC decision as a  
4 court decision and the Court now addresses each in turn.

5 First, Defendants argue that the Supreme Court recognized  
6 that the identity of the first court does not matter and quote the  
7 following language from Kessler: "If rights between litigants are  
8 once established by the final judgment of a court of competent  
9 jurisdiction those rights must be recognized in every way, and  
10 wherever the judgment is entitled to respect, by those who are  
11 bound by it." Motion Brief at 9, Reply Brief (Docket No. 313) at  
12 3 (quoting Kessler, 206 U.S. at 289). There being no dispute that  
13 the ITC had jurisdiction over the investigation, Defendants argue  
14 that the ITC's judgment is "entitled to respect." There are a few  
15 problems with this argument. First, there is no possibility that  
16 the Supreme Court had ITC judgments in mind when it decided  
17 Kessler because the ITC's predecessor agency, the United States  
18 Tariff Commission, was not created until nine years after Kessler  
19 in 1916. Frischer & Co. v. Bakelite Corp., 39 F.2d 247, 254  
20 (C.C.P.A. 1930). Second, when a court is considering the binding  
21 nature of an administrative agency's decision given pursuant to a  
22 statutory grant of authority<sup>4</sup>, the relevant inquiry is not whether  
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27 <sup>4</sup> In this case, the ITC acted pursuant to its authority under  
28 section 337 of the Tariff Act of 1930, as amended by the Trade  
Reform Act of 1974.



1 the court believes the decision ought to be binding, but whether  
2 Congress did not intend to grant the agency authority to provide  
3 binding decisions. Texas Instruments, Inc. v. Cypress  
4 Semiconductor Corp., 90 F.3d 1558, 1568 (Fed. Cir. 1996) ("an  
5 administrative agency decision, issued pursuant to a statute,  
6 cannot have preclusive effect when Congress, either expressly or  
7 impliedly, indicated that it intended otherwise.") Congress has  
8 expressly indicated that ITC decisions are not entitled to have  
9 preclusive effect, explaining that:

11 [I]n patent-based cases, the Commission considers, for  
12 its own purposes under section 337, the status of  
13 imports with respect to the claims of U.S. patents. The  
14 Commission's findings neither purport to be, nor can  
15 they be, regarded as binding interpretations of the U.S.  
16 patent laws in particular factual contexts. Therefore,  
17 it seems clear that any disposition of a Commission  
18 action by a Federal Court should not have res judicata  
19 or collateral estoppel effect in cases before such  
20 courts.

21 Id. (quoting S.Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974),  
22 reprinted in 1974 U.S.C.C.A.N. 7186, 7329). In their Reply Brief,  
23 Defendants make much of the fact that this quote came from a  
24 Senate Report and not from "'Congress' and 'statutory authority.'"  
25 Reply Brief at 5. However, the Federal Circuit has consistently  
26 interpreted this legislative history to mean that "Congress did  
27 not intend decisions of the ITC on patent issues to have  
28 preclusive effect." Id.; accord Bio-Tech. Gen. Corp. v.  
Genentech, Inc., 80 F.3d 1553, 1564 (Fed. Cir. 1996) ("[W]e hold  
that the ITC's prior decision cannot have claim preclusive effect

1 in the district court."). Defendants cite no contrary statements  
2 showing that Congress intended the opposite, despite the fact that  
3 this interpretation has been on the books for decades.

4 Defendants also include a footnote citing a recent Supreme  
5 Court case, B&B Hardware, Inc. v. Hargis Indus., Inc., 135 S. Ct.  
6 1293, 1299 (2015), for the notion that administrative agency  
7 findings can have a preclusive effect in subsequent federal court  
8 proceedings. Motion Brief at 9 n.5. This case actually  
9 undermines Defendants' position because the opinion emphasized  
10 that courts must defer to Congress's view that an agency's action  
11 should not be preclusive. Id. at 1305. Where, as here, there is  
12 an explicit indication that Congress did not intend the ITC's  
13 decision to have preclusive effect, the Court cannot grant the  
14 decision such an effect.  
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16 Indeed, Defendants concede that ITC decisions are not binding  
17 on district courts as a matter of claim preclusion or issue  
18 preclusion. Motion Brief at 10. This is particularly salient to  
19 the question before the Court today, considering the Kessler  
20 doctrine's raison d'être. As the Federal Circuit articulated in  
21 Brain Life, the Kessler doctrine "fills the gap" between these  
22 preclusion doctrines. Brain Life, 746 F.3d at 1056. Plaintiffs  
23 argue, and the Court agrees, that because these preclusion  
24 doctrines do not apply in the context of ITC decisions and  
25 subsequent district court litigation, there is no gap for the  
26 Kessler doctrine to fill.  
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1 Finally, Defendants argue that TPL<sup>5</sup> cannot evade the binding  
2 effect of the ITC's finding of noninfringement by simply not  
3 appealing to the Federal Circuit. Motion Brief at 11, Reply Brief  
4 at 7. In response, Plaintiffs explain the practical reasons for  
5 TPL's decision not to appeal. Plaintiffs state that they are  
6 claiming monetary damages and, of course, the ITC is not empowered  
7 to award such damages. Response at 4. Additionally, Plaintiffs  
8 assert their right to a jury trial on the infringement issues and  
9 note that the only way for them to exercise that right is to  
10 pursue litigation in a district court. Response at 3-4. The  
11 Federal Circuit has previously noted that granting ITC decisions  
12 preclusive effect could run afoul of the Constitution. Texas  
13 Instruments, 90 F.3d at 1569 n.10 ("Moreover, allowing prior ITC  
14 decisions on patent infringement questions to have preclusive  
15 effect would potentially deprive the parties of their Seventh  
16 Amendment right to a jury trial on the issue of infringement.").  
17 Defendants offer no response to this persuasive Constitutional  
18 argument in their Reply Brief.

19 It is true that TPL could have appealed the ITC decision but  
20 chose not to. Nonetheless, no authority establishes that the  
21 Court can hold that decision against Plaintiffs in this context.  
22 The cases Defendants cite in support of their contention that  
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27 <sup>5</sup> Defendants do not address how or whether this argument  
28 applies to Plaintiff MCM Portfolio LLC, which was not a party at  
the ITC.

1 failure to appeal bars relitigation of the decided issue all  
2 transpired in distinguishable procedural circumstances.<sup>6</sup> The fact  
3 remains that legal precedents regarding the preclusionary effect  
4 of an ITC decision were established long before the parties'  
5 dispute began. Application of this longstanding rule to the facts  
6 of this case yields another chance for TPL to raise its  
7 infringement claims. Though the other side of the coin is that  
8 Defendants have to defend against the same claims again, the Court  
9 is not bound by the ITC decision and will not employ the Kessler  
10 doctrine to bar Plaintiffs' claims of infringement from this  
11 forum. Accordingly, Defendants' motion is DENIED.

13 IT IS SO ORDERED.

14 Dated: 06/24/2015



16 CLAUDIA WILKEN  
17 United States District Judge

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22 <sup>6</sup> Notably, the only case Defendants cite that proceeded in an  
23 administrative law context, a district court order in McLellan v.  
24 Perry, considered a state administrative tribunal and a subsequent  
25 federal case brought under 28 U.S.C. § 1983. It is well  
26 established that "[a]s a matter of federal common law, federal  
27 courts give preclusive effect to the findings of state  
28 administrative tribunals in subsequent actions under § 1983."  
McLellan v. Perry, 2014 WL 1309291 at \*2 (D. Nev.) (quoting Miller  
v. County of Santa Cruz, 39 F.3d 1030, 1032 (9th Cir. 1994)).  
That the district court was bound by the administrative agency's  
determinations in that case sheds little light on the issue  
currently before the Court where there is no such rule.